

# Iso Mines Limited



*Annual Report 1971*





*Drilling the Afton copper orebody near Kamloops, B.C.*

#### **DIRECTORS**

N. B. Keevil Jr.  
J. H. Westell  
R. A. Cranston  
J. C. Frantz  
G. C. McCartney  
A. C. Nixon  
W. R. Bergey

#### **OFFICERS**

N. B. Keevil Jr., *President*  
J. H. Westell, *Vice-President*  
W. R. Bergey, *Vice-President, Exploration*  
W. H. Maedel, *Secretary*  
R. D. Penrose, *Treasurer*

#### **TRANSFER AGENTS AND REGISTRARS**

Guaranty Trust Company of Canada

#### **AUDITORS**

Evans, Moore & Powell

#### **SOLICITORS**

Lang, Michener, Cranston, Farquharson & Wright

#### **ANNUAL MEETING**

Royal York Hotel, Toronto, Ontario  
Monday, July 31st, 1972, 11:00 a.m.



N. B. Keevil Jr.

#### TO THE SHAREHOLDERS:

It is a pleasure to report the results for the year ended December 31, 1971 and subsequent corporate developments.

#### Afton Mines

Iso has acquired 461,503 shares or 17.6% of Afton Mines Limited, which recently discovered an important copper deposit near Kamloops, British Columbia. Negotiations with Afton began in January shortly after the discovery, and were followed by the purchase of a share position in the open market by Iso and an associated company, Teck Corporation Limited, sufficient to constitute effective control of Afton. Subsequently, Afton signed an agreement with Canex Exploration Limited whereby Canex could earn a 30% interest in Afton. Appropriate legal proceedings seeking to set aside this agreement were then instituted in the British Columbia Supreme Court. An early trial is anticipated.

The Afton deposit occurs 10 miles west of the town of Kamloops, close to the Trans Canada Highway, natural gas pipelines and power lines. The mineralization is unusual, in that much of the copper occurs as native copper, with lesser amounts of chalcocite, bornite and chalcopyrite. It would be premature to report preliminary tonnage and grade estimates at this stage, but indications are that the orebody will support an open pit operation of 5,000 to 10,000 tons per day, possibly becoming the highest grade open pit copper mine in Canada, and that it will make an important contribution to Iso's future development.

#### Exploration

Your company was active in exploration during 1971, including work on copper prospects in Arizona and Nevada, a molybdenum prospect at Reed Lake in British Columbia, a zinc-copper prospect on Vancouver Island, a bismuth prospect in Northern British Columbia and a tungsten prospect in the Yukon Territory.

In order to provide for a continuation of Iso's exploration activities, the Company has entered into an agreement with Teck Corporation Limited whereby Teck would spend monies on exploration of projects selected by Iso, earning shares of Iso at prices related to the market for work done. Teck would be committed to spend \$300,000 during 1972 and would have the right to make similar commitments for the subsequent four years. The full agreement, which Shareholders will be asked to approve at the Annual Meeting is enclosed. In the view of the Directors this is an excellent arrangement for Iso, permitting it to continue an active exploration programme while at the same time maintaining the financial strength to develop any orebodies that may be discovered.

#### Arizona

Iso holds a 33% interest in two properties located in Santa Cruz County, Arizona. Thirty-three holes drilled on one property have indicated 3,650,000 tons grading 0.25% copper and 0.40% molybdenite to a depth of 1,500 feet. The structure is not amenable to open pit mining. Preliminary metallurgical investigations have returned unsatis-

factory results, but tests are continuing in an effort to improve concentrate grades and recoveries. The mineralization occurs in one of eight breccia pipes on the property and additional exploration is planned.

A breccia pipe on the other property, five miles away, has been explored by adits and drilling. Reserves of 1,700,000 tons grading 1.17% copper and an additional 1,400,000 grading 0.57% copper have been outlined to date, and the necessary assessment work is being carried out to maintain the claims in good standing.

#### Quebec

Iso holds 18% of Dumagami Mines Limited, whose Cadillac area property in Quebec is reported to contain some 1,100,000 tons grading 0.29% copper, 0.19 ounces of gold and 0.58 ounces of silver to a depth of 800 feet. The deposit is sub-economic at the present time, but the property is being maintained in good standing.

#### British Columbia

Iso's 80% owned subsidiary, Iso Explorations Ltd. owns 37% of Della Mines Ltd., which has been exploring a property in the Cassiar area of northern British Columbia. Twenty-one holes drilled in one part of the property indicated sub-economic reserves of 13,500,000 tons grading 0.15% molybdenite to a depth of 500 feet. In another part of the property, an adit was driven during the year to test a skarn zone where previous work had encountered interesting values in silver, copper, zinc and bismuth, and further work is planned this year.

Iso Explorations may earn a 70 to 79% interest in a 93 claim group on Vancouver Island. The property

includes the old Yreka deposit which produced about 160,000 tons averaging 3% copper. Initial exploration for porphyry type deposits was unsuccessful, but several showings of copper and zinc mineralization were encountered which will be followed up by additional exploration in 1972.

Several holes were drilled on the Reed Lake molybdenum prospect, 80 miles north of Prince George. These encountered narrow widths of mineralization which would not be economic under current conditions, but additional work may be warranted.

#### Nevada

Drilling of the copper prospect near Gabbs failed to yield encouraging results and the option was dropped. Another group of 126 claims in the area was optioned and one hole drilled, but no ore grade mineralization was intersected and this option was also dropped. Exploration in the area is continuing.

#### Yukon

Exploration by Canex Aerial Explorations Limited failed to define commercial mineralization on the Coal River tungsten property. That company's option was dropped, and Iso Explorations has terminated its interest in the claims. Several other claims in the area with tungsten showings are being maintained in good standing.

#### Financial

Iso received dividend income of \$370,280 during 1971 compared with \$455,555 last year, the difference reflecting a drop in Mattagami dividends from \$1.50 to \$1.20 per share.

General and administrative expenses were \$90,656, leaving net income of \$279,624, compared with \$336,410 the previous year. Iso follows the practice of writing off exploration expenditures in its deficit account, and these write-offs amounted to \$236,110 in 1971.

On behalf of the Board,



June 30, 1972

N.B. Keevil Jr., President.

ISO MINES AND SUBSIDIARIES

(incorporated under the Laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1971

with comparative figures for 1970

ASSETS	1971 \$	1970 \$
<b>Current Assets</b>		
Cash .....	11,110	56,125
Accounts receivable .....	13,801	11,953
	<u>24,911</u>	<u>68,078</u>
<b>Investments</b>		
Marketable securities at cost and having a quoted market value of \$7,880,000 (1970—\$7,121,000) .....	440,954	285,873
Shares with no quoted market value and advances to other companies at the lesser of cost or nominal value .....	408,314	326,675
	<u>849,268</u>	<u>612,548</u>
<b>Fixed — at cost</b>		
Field equipment .....	16,612	19,017
Office equipment and leasehold .....	17,955	49,939
	<u>34,567</u>	<u>68,956</u>
<b>Other — at cost</b>		
Mining claims and exploration work .....	264,643	257,848
Options .....	—	10,498
Deferred development and administration .....	197,650	137,220
	<u>462,293</u>	<u>405,566</u>
	<u>1,371,039</u>	<u>1,155,148</u>

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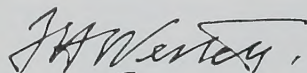
**LIABILITIES**

	1971	1970
	\$	\$
<b>Current Liabilities</b>		
Bank Loan — secured .....	555,000	530,000
Accounts payable .....	32,985	9,745
	<u>587,985</u>	<u>539,745</u>
<b>Advances Payable</b> .....	<u>28,335</u>	<u>28,312</u>

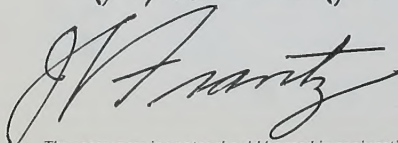
**SHAREHOLDERS' EQUITY****Capital**

Authorized		
5,000,000 shares of \$1 par value		
Issued and fully paid		
3,250,005 shares .....	3,250,005	3,250,005
Less — Discount thereon .....	<u>2,275,000</u>	<u>2,275,000</u>
	975,005	975,005
<b>Deficit</b> .....	<u>220,286</u>	<u>387,914</u>
	<u>754,719</u>	<u>587,091</u>

Approved on behalf of the Board,



Director



Director

1,371,0391,155,148

The accompanying notes should be read in conjunction with these consolidated financial statements.

**CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1971**

*with comparative figures for 1970*

	1971 \$	1970 \$
<b>Income</b>		
Dividends received.....	370,280	455,555
<b>Expense</b>		
General and administrative expenses.....	90,656	119,145
<b>Net Income for the year</b> .....	<u>279,624</u>	<u>336,410</u>

**CONSOLIDATED STATEMENT OF DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 1971**

*with comparative figures for 1970*

	1971 \$	1970 \$
<b>Balance — January 1</b> .....	387,914	61,256
<b>Add—</b> Exploration expenses written-off.....	236,110	663,068
Leasehold improvements written-off .....	10,816	—
Loss on disposal of equipment .....	14,106	—
	<u>261,032</u>	<u>663,068</u>
	648,946	724,324
<b>Deduct—</b> Net income for the year .....	279,624	336,410
Profit from sale of investments .....	149,036	—
	<u>428,660</u>	<u>336,410</u>
<b>Balance— December 31</b> .....	<u>220,286</u>	<u>387,914</u>

*The accompanying notes should be read in conjunction with these consolidated financial statements.*

# **CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971**

*with comparative figures for 1970*

	1971	1970
	\$	\$
<b>Source</b>		
Net income for the year .....	279,624	336,410
Proceeds from disposal of equipment .....	13,169	—
Proceeds from sale of securities .....	150,791	—
Advances received .....	23	28,312
	<u>443,607</u>	<u>364,722</u>
<b>Application</b>		
Exploration		
Advances to affiliated companies .....	1,590	600
Deferred development and administration .....	255,068	237,445
General exploration .....	26,680	101,503
Investment in exploration companies .....	80,050	64,500
Mining claims acquired .....	—	2,500
Option payments .....	11,090	68,630
Fixed assets purchased .....	3,700	6,924
Purchases of marketable securities .....	156,836	—
	<u>535,014</u>	<u>482,102</u>
<b>Increase (Decrease) in working capital .....</b>	<b>(91,407)</b>	<b>(117,380)</b>
<b>Working Capital or (Deficit) at January 1 .....</b>	<b>(471,667)</b>	<b>(354,287)</b>
<b>Working Capital or (Deficit) at December 31 .....</b>	<b>(563,074)</b>	<b>(471,667)</b>

*The accompanying notes should be read in conjunction with these consolidated financial statements.*

## **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Iso Mines Limited and Subsidiaries as at December 31, 1971 and the accompanying explanatory notes and consolidated statements of deficit, operations and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements and the explanatory notes thereto present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 24, 1972

Evans, Moore & Powell  
Chartered Accountants.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1971

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**Note 1** Security held by the company's bankers consists of certain of the company's marketable investments.

**Note 2** Iso Mines Limited holds an 80% interest in its subsidiary Iso Explorations Ltd. and a 100% interest in Iso Nevada Limited. The minority interest in the deficit of Iso Explorations Ltd. amounted to \$35,894 at December 31, 1971, which amount is included in the consolidated deficit of \$220,286 appearing in these financial statements.

**Note 3** There are options outstanding on 50,000 shares of the company's capital stock at \$1.97, which may be taken up on a cumulative basis to a maximum of 10,000 shares a year for the first five years and expiring in ten years on November 4, 1979.

**Note 4** Pursuant to a letter of agreement dated May 31, 1971 with Green Eagle Mines Ltd. (N.P.L.), Iso Explorations Ltd. has undertaken to carry out a program of exploration and development on the Yreka mineral claims with the option to commit the following expenditures:

Expenditures of:	Notice by:	For Completion by:
\$ 20,000	July 30, 1971	Dec. 31, 1971 (Paid)
20,000	Dec. 31, 1971	June 30, 1972 (Paid)
50,000	June 30, 1972	Dec. 31, 1972
50,000	Dec. 31, 1972	June 30, 1973
50,000	June 30, 1973	Dec. 31, 1973
100,000	Dec. 31, 1973	Dec. 31, 1974

**Note 5** Aggregate direct remuneration paid during 1971 to directors and senior officers of the company amounted to \$36,888 (1970 — \$81,580).

**Note 6** The accounts of the U. S. subsidiary, Iso Nevada Limited, have been converted into Canadian dollars as follows:

- (a) fixed assets — at the rates prevailing at the date of acquisition.
- (b) current assets and liabilities — at the rates prevailing at December 31, 1971.
- (c) expenses — at the average rate prevailing throughout the year.



